

# **EXHIBIT C**

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3/12/07 Evening Standard (London, UK) 31  
2007 WLNR 4673103

Evening Standard (London, UK)  
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March 12, 2007

Why Brown must buy Crossrail and Games

CHRIS BLACKHURST

TALK to anyone engaged in planning the future of the City and of London and they will mention Crossrail. Last Thursday, I met Harvey McGrath, chairman of Man Group but also head of London First, the influential body of leading firms that campaigns for a better London in which to do business. Crossrail was uppermost in his mind.

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McGrath had been the day before to a summit called by Tony Blair at Downing Street to thrash through the reasons for the delay in the fast rail link between Heathrow and the East End, taking in the City and Canary Wharf. No sooner had I seen McGrath than I was at Mansion House meeting John Stuttard, the Lord Mayor. What did he have to say?

"Every speech I make when there's a Government minister present, I mention Crossrail. I know Ken Livingstone does the same."

Big business, Lord Mayor, the Mayor of London - everyone is agreed that this damn thing has to be built.

As the Blair meeting showed, there is real impetus to get it moving. As ever with Crossrail, there is a "but".

At Downing Street, there was a very large ghost in the room. From loathing the City when he first became Chancellor, Gordon Brown has grown to appreciate it (love is too strong a word - it's still a haven for too many "Tory fat-cat bastards", as one of his associates once said to me, for that).

So he should: now that factories have been flattened or turned into heritage parks, the City is all he has left giving him any money - it's the pinstripes who pay the taxes to keep those in Labour's heartlands on benefits.

In which case, Crossrail should be a done deal. Not so. Brown has another heavy

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item in his in-tray. It too benefits East London. It too looks as though it will cost Pounds 10 billion. It too is viewed askance by the rest of the country as "a London" project. I refer, of course, to 2012.

Tomorrow, a BBC programme will make this very point. Presented by John Ware, Are We There Yet? highlights the stark reality facing London-The capital's population is set to rise by a million over the next 20 years - but unless 40% extra capacity is added to its already groaning transport system, there will be no commensurate increase in wealth.

"To make life more bearable, much now depends on Crossrail," says Ware, "The latest threat to Crossrail is the 2012 Olympics, because of rising costs.

They won't find the money for both."

They must. Livingstone's numbercrunchers reckon London's economy is losing Pounds 4 million for every day Crossrail is not built. A report by his economics unit says Pounds 1.5 billion will be lost annually through congestion, fewer jobs and postponed development-When London First asks its members (they comprise London's 300 biggest businesses) what bothers them the most, one of the problems they cite is the hell of using Heathrow.

We ignore them at our peril - there is only so much they can take, and other cities such as Paris and Frankfurt are desperate to have them.

It's no good Brown saying no because he's also got 2012. After all, there seems little point in sanctioning the Games and their ambitious regeneration plans if he doesn't also boost the train network. Crossrail may cost Pounds 10 billion but it will add Pounds 30 billion to GDP over the next 60 years - cheap at the price, and nobody can say that of the Olympics.

Me a high-rolling banker? That's a bit of a long shot

COULD I have been an investment banker?

Judging by my session with Mike Greenspan of top business psychologists Kiddy & Partners, the answer is a resounding no.

Kiddy advises senior staff of all sorts of organisations - Ernst & Young, Goldman Sachs, HSBC, Merrill, Rolls-Royce, Reed Elsevier, O2, to name just some. Most are the same - but not the investment bankers. One key distinction from ordinary (normal) folk is that they reap their rewards from taking risks.

We're conditioned to lowering risk; they are always looking to make it pay. "They want to leverage risk. If you're a risk reducer, you will die - the banks say they want people taking more risks, not less."

As I watch the Gold Cup at Cheltenham this week, I'll be sweating on a fiver each way.

Heaven knows what I'd be like if I had Pounds 500 million - to win.

Millwall fan who's on top of the world

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ANY thought that private equity might be slowing down or disappearing can be quickly dispensed with. My spies tell me bankers in London are assembling the largest buyout the world has ever seen. It's the much-rumoured offer for Dow Chemical in the US.

The \$60 billion (Pounds 31 billion) deal, dwarfing the \$45 billion TXU takeover, is being masterminded by Ian Hannam out of JPMorgan in London.

An investment fund of a Gulf state is putting up over \$10 billion of equity, and the usual suspects, Kohlberg Kravis Roberts - with Henry Kravis taking personal charge - are arranging more than \$50 billion of debt.

Dow Chemical is an American institution - that country's biggest chemical concern, based in Michigan. Arab cash, Wall Street debt, a US industrial giant - all being welded together here.

So massive and complex is the transaction, I'm told, that the JPM office is doing little else. Its people are working flat out to get it off the ground.

For Hannam, 50, the bid is yet another-large feather in his cap. He must rank as banking's hottest rainmaker of the moment, landing a string of spectaculars: the flotations of Kazakhmys, BHP Billiton and Xstrata, the merger of NTL and Virgin Mobile, and the creation of SABMiller. He also played a key role in marrying his US bank with the most British of brokers, Cazenove - and is credited with transforming Caz's profitability.

A fitness fanatic - he runs to work one day a week and works out every morning - he is an ex-member of the Territorial SAS. An old Bermondsey grammar boy, he read engineering at Imperial College and was a chartered engineer at Taylor Woodrow before becoming an investment banker. He's described as deal-hungry - "the kind who keeps his BlackBerry switched on on the ski slope". His only weakness is that he supports Millwall.

A Millwall fan landing the biggest buyout in history? The definitive sign, surely, that London really has become the world's premier international financial centre.

Here's a radical solution to an age-old problem

HE ranks as an unlikely hero for capitalism, but could that old leftie, Professor Robin Blackburn (Essex, ex-LSE), have the solution to the pensions crisis?

I was talking with a pal, and we got on to Blackburn. One of his ideas, with a new twist, might just have something. He suggested that companies be required to issue shares to a central not-for-profit fund that would use the dividends accrued to pay pensioners.

While this smacks of Big Brother, what if companies issued shares to their own pension funds - giving staff an incentive to perform to bolster their retirements? Of course, current shareholders would have to be in the equation so they were not drastically diluted.

Could it work? Let me know.

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COMPANY: KAZAKHMYS PLC; NTL INCORPORATED (OLD); DOW CHEMICAL; TAYLOR WOODROW PLC;  
DOW CHEMICAL CO (THE); FRONTLINE LTD; VIRGIN MEDIA INC; REED ELSEVIER PLC;  
KAZAKHMYS; KAZAKHMYS CORP; DOW CHEMICAL (JAPAN); TAYLOR WOODROW INC; LONDON; BHP  
BILLITON LTD; BHP BILLITON PLC; NATIONAL TRADING LTD

NEWS SUBJECT: (Local Government (1LO75); Investment Banking (1IN86); Government  
(1GO80))

INDUSTRY: (Financial Services (1FI37))

REGION: (United Kingdom (1UN38); Europe (1EU83); England (1EN10); Western Europe  
(1WE41))

Language: EN

OTHER INDEXING: (BBC; BERMONDSEY; BHP BILLITON; BLACKBERRY; BLAIR; DOW CHEMICAL;  
END; ERNST YOUNG GOLDMAN SACHS; GDP; GOLD CUP; IMPERIAL COLLEGE; JPM; KAZAKHMYS;  
KEN LIVINGSTONE; LABOUR; LIVINGSTONE; LONDON; LORD MAYOR; LSE; MANSION HOUSE; MAYOR  
OF LONDON; MERRILL; MILLWALL; NTL; REED ELSEVIER; TALK; TAYLOR WOODROW; TONY BLAIR;  
TXU; XSTRATA) (Arab; Big Brother; Blackburn; Brown; Caz; Crossrail; Hannam; Harvey  
McGrath; Heaven; Henry Kravis; Ian Hannam; John Stuttard; John Ware; Kiddy; Kiddy  
Partners; Kohlberg Kravis; McGrath; Millwall; Robin Blackburn; Tomorrow; Virgin  
Mobile; Wall Street; Ware)

KEYWORDS: (COLUMN)

EDITION: A\_MERGE

Word Count: 1467  
3/12/07 BSX-EVSTND 31  
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